PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

I. D. #5629

ENERGY DIVISION **RESOLUTION E-3975**

May 11, 2006

R E S O L U T I O N

Resolution E-3975. AT&T, Inc. (AT&T) requests a deviation from California Public Utilities code section 320. This resolution grants the request and authorizes AT&T to add approximately twenty miles of aerial fiber optic cables along Highway 89 and Highway 50 on existing joint poles in El Dorado County. Aerial fiber optic cables begin at the intersection of Placer and El Dorado County line, extending south along Highway 89 to South Lake Tahoe; and resume along Highway 50 from AT&T's Meyers Central Office to the Tamarack Central Office. Highway 89 and Highway 50 are within the state scenic corridors.

By letter dated December 1, 2005, from AT&T.

SUMMARY

On December 1, 2005, AT&T requested authorization from the California Public Utilities Commission (CPUC) for deviation from the undergrounding requirements of Section 320 of the Public Utilities Code. This letter request was filed by the Energy Division as NON-1.

This resolution approves the request and authorizes AT&T to add approximately twenty miles of aerial fiber optic cables along Highway 89 and Highway 50 on existing joint poles in El Dorado County. Aerial fiber optic cables begin at the intersection of Placer and El Dorado County line, extending south along Highway 89 to South Lake Tahoe; and resume along Highway 50 from AT&T's Meyers Central Office to the Tamarack Central Office.

BACKGROUND

California Public Utilities Code Section 320 (P.U. Code Section 320) was enacted in 1971, Chapter 1697, and reads in part as follows:

> The legislature hereby declares that it is the policy of this state to achieve,

> whenever feasible and not inconsistent with sound environmental planning, the undergrounding of all future electric and communication distribution facilities which are proposed to be erected in proximity to any highway designated a state scenic highway pursuant to Article 2.5 (commencing with Section 260) of Chapter 2 of Division 1 of the Streets and Highways Code and which would be visible from such scenic highways if erected above ground. The Commission shall prepare and adopt by December 31, 1972, a statewide plan and schedule for the undergrounding of all such utility distribution facilities in accordance with the aforesaid policy and the rules of the Commission relating to the undergrounding of facilities.
>
> The Commission shall require compliance with the plan upon its adoption.

The Commission is responsible for the administration of Section 320 of the P.U. Code. After hearings conducted in Case 9364, Commission Decision (D) 80864 implemented the State Legislation. D.80864 states that:

> In order to facilitate administration, letter requests for deviations will be accepted, reviewed by the Commission staff and, where appropriate, approved by Commission resolution. (74 CPUC 457, D.80864)

D.80864 stipulates that no communications or electric utility shall install overhead distribution facilities "in proximity to" and "visible from" any prescribed corridor on a designated scenic highway in California unless a showing is made before the Commission and a finding made by the Commission that undergrounding would not be feasible or would be inconsistent with sound environmental planning. The Decision also defines "in proximity to" as being within 1,000 feet from each edge of the right-of-way of designated State Scenic Highways.

D.80864 also stipulates that when repairs or replacement of existing overhead facilities in the same location do not significantly alter the visual impact of the Scenic Highway, they should not be considered as new construction and need not be converted to underground.

NOTICE

Notice of NON-1 was made by publication in the Commission's Daily Calendar. AT&T states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

The Commission received no protests.

DISCUSSION

We will evaluate this deviation request considering the nature of the project; local government recommendation; visibility, aesthetics, and environmental impact; and economic feasibility. We will base our recommendation on tangible evidence and analysis of these factors.

Nature of the Project

AT&T states that the current Inter-Office Facility (IOF) serving the greater Tahoe Basin area has reached its maximum capacity. There were two occurrences in 2004 that AT&T lost 911 communication services along Highway 50 corridor. Both of these incidences lasted in excess of 4 hours. Thousands of customers were isolated from 911-service. Some long distance and cellular services were disrupted. This was due to the lack of facility diversification.

AT&T indicates that existing radio sites and towers are also at maximum capacity, and there are no frequencies available into the Lake Tahoe region. Therefore, radio is no longer a viable relief option for IOF.

AT&T suggests that the solution for additional IOF capacity in the greater Tahoe Basin area is to place fiber optic cables from Emigrant Gap to South Lake Tahoe. The fiber optic route would be approximately 72 miles on both solely owned poles and poles jointly owned with Sierra Pacific Power Company (SPPC) and Pacific Gas and Electric (PG&E).

AT&T's overall plan to diversify facilities runs from Sacramento along Highway 80 to Truckee, continuing along Highway 267 and Highway 28 to Tahoe City, then along the west shore of Lake Tahoe (Highway 89) to South Lake Tahoe, returning to Sacramento along Highway 50. The entire project consists of eight jobs, some of which are entirely underground or are remote from the Scenic Highway designation, but four of them are in El Dorado County and require CPUC approval. This application deals with only the portion of the project from the intersection of Placer and El Dorado County lines to AT&T's Tamarack Central Office. This portion of the project consists of the following phases:

- Phase I – Intersection of Placer and El Dorado County line to D. L. Bliss State Park (approximately 6 miles). This phase of the project requires CPUC approval. AT&T plans to lash fiber optic cable to existing overhead facilities are scheduled for May 1, 2006 to October 15, 2006. AT&T provided the following cost estimates for this phase of the project on March 17, 2006:

Project Options	Total Number of Poles	Total Cost
Overhead	286	$957,199.32
Underground	286	$3,749,676.87

- Phase II – D. L. Bliss State Park to Vikingsholm Service Road (approximately 1.5 miles). This phase of the project does not need CPUC approval. AT&T plans to place underground fiber optic cable within California Department of Transportation (Caltrans) right of way along Highway 89. It is schedule for May 1, 2006 to October 15, 2006.

- Phase III – Vikingsbolm Service Road across Emerald Bay to Eagle Point (approximately 4,800 feet). AT&T plans to lash fiber optic cable to existing overhead facility from Vikingsbolm Service Road to the edge of the bay (approximately 1,800 feet) then add a submarine cable across the bay to Eagle Point (approximately 3,000 feet). The overhead portion of this phase of the project requires CPUC approval. Construction is scheduled for September 1, 2006 to October 15, 2006. AT&T provided the following cost estimates for this phase of the project on April 20, 2006:

Project Options	Total Number of Poles	Total Cost
Overhead	12	$455,030.00 (includes submarine cable)
Underground	12	$796,530.00 (includes submarine cable)

- Phase IV – Eagle Point to 15th Street at South Lake Tahoe (approximately 7 miles). This phase of the project requires CPUC approval. AT&T plans to lash fiber optic cable to existing overhead facilities. Construction is scheduled for May 1, 2006 to October 15, 2006. AT&T provided the following cost estimates for this phase of the project on March 17, 2006:

Project Options	Total Number of Poles	Total Cost
Overhead	194	$460,905.19
Underground	194	$4,582,684.02

- Phase V – Lake Tahoe City Limits to Sussex Central Office (3 miles). This phase

of the project is already complete and did not need CPUC approval since the facilities are within private property and outside the scenic corridor. AT&T completed 1.25 miles of overhead and 1.8 miles of underground facilities.

- Phase VI – Meyers Central Office to the Tamarack Central Office (southwest of Meyers, approximately 6.7 miles). This phase of the project requires CPUC approval. AT&T plans to lash fiber optic cable to existing overhead facilities. Construction is scheduled for May 1, 2006 to October 15, 2006. AT&T provided the following cost estimates for this phase of the project on March 17, 2006:

Project Options	Total Number of Poles	Total Cost
Overhead	183	$336,776.67
Underground	183	$4,534,806.91

AT&T proposes to use aerial fiber optic cable, ½" in diameter, black in color, along Highway 89 for Phase I to V of the project, and 1" fiber optic cable along Highway 50 for Phase VI of the project.

AT&T has existing overhead and underground facilities along Highway 89 and Highway 50 in El Dorado County. They plan to use line trucks and helicopters to replace defective poles and place new fiber optic cable.

AT&T states that this project would add ten years or more of capacity to their Inter-Office-Facility. Technology and consumer demands would determine the need for upgrades after that time.

Local Government Recommendation

The scenic corridor of Highway 89 in El Dorado County extends from the Placer County line down to the Alpine County line (27.4 miles), while the Highway 50 scenic corridor in El Dorado County extends from the east limit of the government center in Placerville to the South Lake Tahoe city limit (57.6 miles). Since the exemption requires both Commission approval and the expressed opinion of the local government, AT&T has requested and received endorsements from the El Dorado County Board of Supervisors. The County passed Resolution Number 260-2005 on August 30, 2005, and Resolution Number 270-2006 on March 7, 2006, recommending exemption to Section 320 of the CPUC code for the proposed improvements along the Scenic Highway 50 and 89 corridors.

Visibility, Aesthetics, and Environmental Impact

This project involves adding 20 miles of a aerial cable, ½ " and 1" in diameter, black in color along Highway 89 and Highway 50. There is little adverse impact on visibility and aesthetics of the highways based on the photographs and project drawing submitted by AT&T on the proposed fiber optic cable additions. Existing electric and telephone cables on poles along the aforementioned sections of Highway 89 and Highway 50 would remain visible from the highway whether AT&T's request is granted or denied.

AT&T also does not expect the added facilities would be more visible along Highway 89 and Highway 50 after completion of this project.

AT&T has submitted California Environmental Quality Act (CEQA) document with the Tahoe Regional Planning Agency (TRPA). AT&T has not received negative comments from the agency and expects approval by next week.

Economic feasibility

AT&T will fund this project and submitted the following cost estimates.

Project Phases	Options	Project Cost Excluding Cable Placement Costs Along Highways 50 and 89	Fiber Optic Cable Placement Cost Along Highways 50 and 89	Total Cost for AT&T
Phase I – Intersection of Placer and El Dorado County line to D. L. Bliss State Park	Overhead	$435,049.01	$957,199.32	$1,392,248.33
	Underground	$435,049.01	$3,749,676.87	$4,184,725.88
	Underground to Overhead Ratio	1.00	3.92	3.01
Phase III – Vikingsbolm Service Road across Emerald Bay to Eagle Point	Overhead	$206,812.05	$455,030.00	$661,842.05
	Underground	$206,812.05	$796,530.00	$1,003,342.05
	Underground to Overhead Ratio	1.00	1.75	1.52
Phase IV – Eagle Point to 15th Street at South Lake Tahoe	Overhead	$202,026.14	$444,500.00	$646,526.14
	Underground	$202,026.14	$3,696,000.00	$3,898,026.14
	Underground to Overhead Ratio	1.00	8.31	6.03
Phase VI – Meyers Central Office to the Tamarack Central Office	Overhead	$209,482.33	$460,905.19	$670,387.52
	Underground	$209,482.33	$4,582,684.02	$4,792,166.35
	Underground to Overhead Ratio	1.00	9.94	7.15

Total	Overhead	$1,053,369.52	$2,317,634.51	$3,371,004.03
	Underground	$1,053,369.52	$12,824,890.89	$13,878,260.41
	Underground to Overhead Ratio	1.00	5.53	4.12

The above data indicates that the utility cost alone to place fiber optic lines underground would exceed the overhead cost by more than 5 to 1, with the project as a whole costing more than four times as much. The cost ratios would be even greater if we include the cost of undergrounding existing electric power facilities along the route. Hence, undergrounding would substantially increase the cost of the project. This cost disparity renders the underground alternative impractical.

Summary

Since the factors discussed above favor the placement of overhead cables instead of underground, the Commission should approve and grant this deviation; but construction work associated with this deviation is granted only through the end of 2007.

COMMENTS

This is an uncontested matter in which the Resolution grants the relief requested. Accordingly, pursuant to PU Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. The Commission administers Section 320 of the Public Utilities (PU) Code requiring undergrounding of utilities lines long designed Scenic Highways and considers requests for deviations.

2. The applicant must show that undergounding would not be economically feasible or would be inconsistent with sound environmental planning.

3. By letter dated December 1, 2005, AT&T requested authority for deviation from the undergrounding requirements of Section 320 of the Public Utilities Code.

4. This project involves adding approximately 20 miles of a fiber optic cables, ½" and 1" in diameter, black in color along Highway 50 and Highway 89.

5. AT&T plans to begin construction in May 2006 and complete the project in

December 2006.

6. By Resolution Number 260-2005 on August 30, 2005, and Resolution Number 270-2006 on March 7, 2006, the Board of Supervisors of El Dorado County recommended the CPUC grant this deviation.

7. Existing electric and telephone cables on poles along Highway 50 and Highway 89 would remain visible from the highway even if we deny AT&T's request.

8. AT&T does not expect that the added facilities will be significantly more visible along Highway 50 and Highway 89 after the completion of this project.

9. Placing the fiber optic cable underground would exceed the overhead cost by more than 5:1.

10. The Commission should approve and grant this deviation; but construction work associated with this deviation is granted only through the end of 2007.

THEREFORE, IT IS ORDERED THAT:

1. AT&T's request to add approximately 20 miles of aerial fiber optic cables along Highway 50 and Highway 89 is approved. This deviation is granted only through the end of 2007.

2. This Resolution is effective today.

I hereby certify that the Public Utilities Commission adopted this Resolution at its regular meeting on May 11, 2006. The following Commissioners voting favorably thereon:

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STEVE LARSON
Executive Director